

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 SS-15 EB-08 OPIC-03 XMB-02
COME-00 CIAE-00 TRSE-00 AID-05 FRB-03 INR-10
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O 081625Z AUG 78
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC NIACT IMMEDIATE 9941
INFO AMEMBASSY LONDON

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E.O. 11652: N/A
TAGS: EINV, NI
SUBJECT: INDIGENIZATION DECREE; FOREMOST INTERNATIONAL

REF: STATE 189530

1. SUMMARY. FOREMOST DOES NOT WISH EMBASSY TO INTERVENE WITH FMG ON SHARE VALUATION ISSUE SPECIFICALLY ON ITS BEHALF AT THIS TIME, ACCORDING TO LOCAL AND HEAD-QUARTERS REPS. REPS ANTICIPATE COLLATERAL ISSUES ON WHICH FOREMOST MAY REQUEST EMBASSY ASSISTANCE. MOBIL LOCAL REP ALSO DISMAYED AT VALUATION ITS SHARES, BUT IS MORE CONCERNED ABOUT POSSIBLE IMPEDIMENTS TO REPATRIATION OF SHARE PROCEEDS. UKHICOM REPORTS BRITISH COMPANIES IN GENERAL HAVE ACCEPTED VALUATIONS. UKHICOM RELUCTANT TO INTERVENE BECAUSE INTERVENTION MIGHT QUOTE POLITICIZE UNQUOTE ISSUE AND NOT HAVE BENEFICIAL EFFECT. THEY TOO ARE CONCERNED ABOUT POSSIBLE PROCEEDS REPATRIATION PROBLEM. MEANWHILE, A SPECIAL COMMITTEE OF THE NIGERIAN-AMERICAN CHAMBER OF COMMERCE (NACC) IS GATHERING EVIDENCE ON QUESTION FROM AFFECTED FIRMS. THE NACC COMMITTEE WILL MEET

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AUGUST 10 TO DECIDE ON AN ACTION PROGRAM. IN VIEW FOREMOST'S REVERSAL, EMBASSY WILL NOT RAISE ISSUE WITH ALHAJI, FOR THE MOMENT. WE WILL REPORT OUTCOME NACC MEETING AND CONTINUE TO FOLLOW SITUATION CLOSELY. END SUMMARY.

2. EMBASSY HAS BEEN VERY MUCH AWARE OF POTENTIAL

PROBLEMS SINCE INDIGENIZATION DECREE. AT BEHEST OF THEN ECON COUNS, NACC LAST MARCH FORMED SPECIAL COMMITTEE TO EXAMINE INDIGENIZATION AND OTHER PROBLEMS AFFECTING US INVESTMENT AND TRADE. THE COMMITTEE IS CHAIRED BY THE LOCAL FOREMOST REPRESENTATIVE. COMMITTEE HAS CIRCULARIZED MEMBERS ON THE ISSUES. A SPECIAL MEETING WILL BE HELD ON AUGUST 10 TO CONSIDER MEMBER RESPONSES AND FORMULATE ACTION PROGRAM EMBASSY STRATEGY HAS BEEN, THROUGH NACC, TO COLLECT CASE HISTORIES OF INJURY TO ENABLE EITHER NACC OR EMBASSY TO PRESENT COMPREHENSIVE CASE TO FMG.

3. EMBASSY WAS UNABLE TO MEET WITH FOREMOST LOCAL REP, BILL PACE, UNTIL AUGUST 3, FOLLOWING ARRIVAL OF FOREMOST INTERNATIONAL REP JOSEPH KLACZYNSKI FROM SAN FRANCISCO. IN EXTENDED DISCUSSION, KLACZYNSKI SAID SHARE VALUATION TOO LOW (50 KOBO PER); APPLICATION EUROPEAN RATHER THAN US ACCOUNTING RULES TO VALUATION PROCESS CAUSED GREATER INEQUITIES FOR US FIRMS THAN FOR OTHER FIRMS HERE; PUBLIC SHARE OFFERING WILL COST FOREMOST \$4 MILLION; RESULT WILL BE A DILUTION OF EQUITY, WHICH IS DISTASTEFUL TO CORPORATE HEADQUARTERS; HEADQUARTERS PROBABLY WILL NOT INVEST FURTHER IN NIGERIAN OPERATION; EFFECT WILL BE TO DETER OTHER US FIRMS FROM INVESTING IN NIGERIA. KLACZYNSKI HAD NOT FAVORED INTERVENTION LIMITED OFFICIAL USE

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BY DEPARTMENT THROUGH EMBASSY BECAUSE HE THOUGHT THAT COURSE INEFFECTIVE. WHEN PRESSED AS TO COURSE OF ACTION EMBASSY SHOULD PURSUE, HE INDICATED THAT HE DID NOT WANT FOREMOST CASE BROUGHT TO THE ATTENTION OF FMG AT THIS TIME. HE ASSURED US THAT FOREMOST INTERNATIONAL WOULD NOT REPEAT NOT PRESS DEPARTMENT FOR ACTION ON THE DANAUT/COOPER LETTER. TO OFFSET EFFECTS OF DILUTION OF EQUITY, FOREMOST IS SEEKING LIBERAL TREATMENT FROM FMG ON TECHNICAL ASSISTANCE AGREEMENTS, MANAGEMENT AGREEMENTS AND PROTECTION ITS PATENTS AND MAY ASK EMBASSY ASSISTANCE ON THESE ISSUES. FOREMOST WOULD NOT BE AFFECTED BY ANY POTENTIAL REPATRIATION PROBLEM BECAUSE IT IS NOT DIVESTING EQUITY. ITS PRESENT 100 PERCENT EQUITY POSITION WILL BECOME A 40 PERCENT POSITION WITH A PUBLIC SHARE OFFERING PROVIDING THE 60 PERCENT NIGERIAN PARTICIPATION. CONVERSATION CONCLUDED WITH PACE, AS CHAIRMAN OF THE SPECIAL NACC COMMITTEE, SUGGESTING THAT NACC STRATEGY (PARA 2 ABOVE) CONTINUE TO BE PURSUED.

4. CONCLUDING PORTION THIS MESSAGE WILL BE TRANSMITTED SEPTTEL TOMORROW.

WYMAN

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